

1/25/08
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STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple - Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291
Fax: (801) 359-3940

ANNUAL REPORT OF MINING OPERATIONS

The informational requirements of this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1953, as amended, and the General Rules as promulgated under the Utah Minerals Regulatory Program. An operator conducting mining operations under a Notice of Intention must file an annual operations and progress report (FORM MR-AR) with the Division.

I. General Information

1. Report Time Period: From (mo./yr.) 1/07 To (mo./yr.) 1/08
2. DOGM File Number (Mine No): S2/700/24
3. Mine Name: Little Spot
4. Mineral(s) Mined (or permitted to mine): Gemstone
5. Type of mine: ☒ Surface Mine or ☐ Underground Mine
6. Legal Description (Location of Lands Affected): No Change
1/4, 1/4, 1/4, Section , Township , Range
1/4, 1/4, 1/4, Section , Township , Range
1/4, 1/4, 1/4, Section , Township , Range
7. Name of Operator or Company: Penney's Gemstones LLC
8. Permanent Street Address: 2400 E 30 S
Mailing Address: PO Box 312 (copy all communications to email)
City, State, Zip: Beaver, UT 84713
Phone: (435)438-5522 Fax: (435)603-4100 E-mail: ep7@xmission.com
9. Company Representative (or designated operator):
Name: David Penney
Title: Owner/operator/registered agent
Business Address: 2400 E 30 S
City, State, Zip: Beaver, UT 84713
Phone: (435)438-5522 Fax: (435)603-4100 E-mail: ep7@xmission.com

☐ Please check if any of the above information has changed since previous year.

II. Mining and Reclamation

1. Was there any mine related activity during the past year? ☒ Yes ☐ No
2. If no - what was the last year of activity?

3. Report the gross amount of ore mined and waste moved, as well as the arrangement, positioning, or distribution of the material. 125,000 lbs of gemstone material, and fines were saved for reclamation
4. Briefly describe the type of work performed, during the past year. Screening existing stockpiles and recontouring areas for reclamation.
5. How much new or additional acreage was disturbed during the past year? No new or additional acreage was disturbed.
6. How much acreage was reclaimed during the past year? Some areas were reclaimed.
7. Briefly describe the reclamation work performed during the past year. This description should include methods employed, and an evaluation of the results. (Submit form MRSITE for an application for full or partial bond/site release). Re contoured areas.
8. What is the total disturbed acreage of entire project at years end? Less than 5 acres
9. Briefly summarize any mining and/or reclamation plans for the upcoming year. Mining and reclamation will be continuous and intermittent.
10. The operator shall keep and maintain timely records relating to his performance under the Act, and shall make these records available to the Division upon request.

NOTE: Section III., "Additional Information" applies only to large mining operations.

III. Additional Information - R647-4-121.2

1. Include an updated map depicting surface disturbance and reclamation performed during the year, prepared in accordance with Rule R647-4-105. N/A

IV. Signature Requirement

I hereby certify that the foregoing is true and correct.

Signature of Operator:

Name (Typed or Print): David Penney

Title of Operator: Registered Agent/ Owner/ Operator

Date: 1/3/08